



HM TREASURY

Major Project Authority – Integrated Assurance

March 2012



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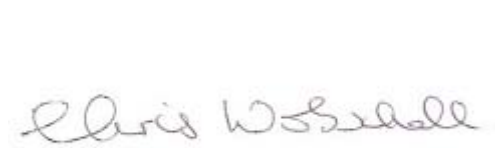
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Foreword

This guidance is for internal auditors involved in auditing major projects that require HM Treasury approval. The work has a clear, enforceable mandate from the Prime Minister for the oversight and direction of Major Projects funded and delivered by central government.

If you have any questions about this initiative, please contact your local Programme & Project Centre of Excellence or Karen Parsons in the Treasury (karen.parsons@hmtreasury.gsi.gov.uk).



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1

Introduction

1.1 The Cabinet Office Major Projects Authority (MPA) was established in April 2011 to maintain oversight of the largest projects in Government (the term 'projects' is used throughout this document but can also be taken to cover 'programmes'). The mandate for the MPA has come from The Prime Minister¹ and acts on reports from the NAO² and 2010 Cabinet Office Major Projects Review (MPR). HM Treasury's³ guidance outlines the revised approvals and assurance procedures and sets out how they will work together within an integrated assurance and approval framework.

1.2 As part of the new MPA mandate comes the adoption of an integrated approach to project assurance and approvals, whereby:

- An Assurance Strategy is required at a Portfolio level;
- All programmes and projects are required to have an Integrated Assurance and Approvals Plan;
- Assurance activity is expected to be a risk-based and an end-to-end process - from change concept (policy development) through to benefits delivery;
- Project assurance activities are linked to financial approval and key milestones;
- Assurance providers, including Internal Audit, are required to continually coordinate their work to avoid duplication or omission;
- Results from assurance reviews are shared and appropriate escalation and intervention action is taken where projects are failing;
- The Government's Transparency agenda is met through the publication of MPA assurance reports (but not internal audit reports).

1.3 In April 2004 a joint HM Treasury-OGC document⁴ provided guidance on building a working relationship between OGC Gateway Reviews and Internal Audit. The approach to Integrated Assurance and Approvals has developed this further and this note replaces that guidance and highlights the need for building on the relationships between Internal Audit, the MPA and other assurance providers.

1.4 If you have any further questions about this initiative then please contact your local Programme & Project Centre of Excellence or karen.parsons@hmtreasury.gsi.gov.uk in HM Treasury.

¹ Letter from Prime Minister to Cabinet Ministers - 25 January 2011.

² NAO report: see http://www.nao.org.uk/publications/1011/project_assurance.aspx

³ HM Treasury- Major project assurance and approval guidance – April 2011

⁴ Building a cooperative assurance relationship between Internal Audit, Departmental Gateway Coordinators and Centres of Excellence – April 2004

2

New arrangements

Why is this change needed?

2.1 The establishment of the MPA represents a sea change in the oversight of Central Government's Major Projects at both an individual and a portfolio level and aims to address the findings from the NAO report 'Assurance of High Risk Projects' and from the MPR undertaken over the summer 2010 by the Cabinet Office Efficiency and Reform Group (ERG).

2.2 The NAO Report 'Assurance for High Risk Projects' reported that Central Government's High-Risk Projects are frequently large scale, innovative and reliant on complex relationships between diverse stakeholders. Such projects frequently present a level of risk that no commercial organisation would consider taking on. In this context, the NAO states that an enhanced control environment is a sensible way of reducing the financial risk to the public purse and increasing the chance of achieving value for money for the taxpayer.

2.3 The MPR found common failings in government funded projects which must not be repeated. These include:

- Unrealistically tight timescale;
- Lack of Business case to establish absolute goals;
- Scope not finalised before procurement commences;
- Absence of, or limited, options analysis;
- No agreed budget or contingency planning;
- No implementation or strategic risk management plan;
- Weak commercial and contract management capability.

2.4 In addition, it identified an absence of cross-governmental understanding of the size and cost of the Government's major project portfolio, including the cost and viability of the individual projects within it.

2.5 On the 25 January 2011 the Prime Minister wrote to each Secretary of State confirming the mandate for the new MPA within the ERG in the Cabinet Office (see **Annex A**). In his letter the Prime Minister makes clear the collective responsibility across government to achieve value for money from public spending. He also points out that 'successive governments over the past two decades have failed to establish effective Major Projects processes and that 'we intend to do much better'.

What it means?

2.6 The MPA is a collaboration between the Cabinet Office, HM Treasury and Departments with the fundamental aim of significantly improving the delivery success rate of Major Projects across Central Government. The MPA is supported by a clear and enforceable Mandate and will have the authority to:

- Strengthen central monitoring arrangements through development of the Government Major Projects Portfolio, in collaboration with departments, with regular reporting to Ministers;
- Require Integrated Assurance and Approval Plans for each Major Project or Programme, including timetables for Treasury financial approvals, and validated by the MPA and HM Treasury;
- Make a Starting Gate Review, or equivalent, mandatory for all new Major Projects or Programmes;
- Escalate issues of concern to Ministers and Accounting Officers;
- Provide additional assurance and direct involvement where Projects are causing concern including the provision of commercial and operational support;
- Require publication of Project information consistent with our transparency agenda;
- Work with departments to build capability in Projects and Programme management;
- Produce an annual report on Government Major Projects for the Minister for the Cabinet Office for publication on the Cabinet Office website.

2.7 The Prime Minister requires all Departments to comply with the requirements of the Mandate for Starting Gate Reviews, integrated assurance planning and reporting, and to provide more experienced reviewers on a reciprocal basis. The Treasury has made it clear that it will not normally approve business cases for projects which do not have an Integrated Assurance and Approval Plan or that have not had a Starting Gate or equivalent check on viability.

2.8 The four main components of the new arrangements are as follows:

- ***The Government Major Project Portfolio (GMPP):*** This will consist of projects requiring Treasury investment approval, those which are novel or contentious or are exceeding agreed budget tolerances or require primary legislation. Each project will be required to report progress to the MPA and Treasury on a quarterly basis. MPA will provide a summary report to Ministers quarterly and an Annual Report on the progress of the GMPP will be published each year.
- ***Integrated Assurance and Approvals:*** Integrated Assurance and Approvals comprises planning, coordination and provision of assurance activities and HM Treasury approval points throughout the 'policy to delivery' lifecycle, commensurate with the cost and level of risk inherent in the project. Every project will be required to prepare and maintain an Integrated Assurance and Approval Plan, which will indicate how assurance reviews of all types will be scheduled, coordinated and aligned to support decision making and inform investment approvals by the Department and by the Treasury, while avoiding duplication and activity which does not add value.
- ***Consequential Assurance and Intervention:*** For projects that have particular problems, a more intensive approach is required. MPA will discuss with the Department the need for additional assurance and, where necessary, will arrange extra support for the project. If issues are not being resolved effectively there will be an escalation process to the ERG Board and, if necessary, to Departmental Ministers.
- ***Transparent Reporting:*** It is envisaged this will include the publication of MPA assurance reports (but not internal audit reports) after a suitable period, publication

of project contracts on line, and an Annual Report on progress of Government's Major Projects.

2.9 Integrated assurance for Government Major Projects therefore has the following features:

- Controlled project initiation;
- Planning and continued engagement between assurance providers;
- Assurance informed funding approval;
- Acting on assurance recommendations;
- Direct involvement from the centre with projects at risk;
- Escalation of projects at risk; if management do not, or cannot, resolve serious issues on the project MPA will escalate to the ERG Board or to Ministers;
- Early termination or re-scoping of undeliverable and non-viable projects.

3

Impact on Internal Audit

Introduction

3.1 Recognising that major projects are usually important to the strategic direction and success of an organisation, internal audit is often involved in providing assurance and advice. This is done as part of the wider independent assurance provided to the Accounting Officer on the framework of governance, risk management and control. There is a distinction to be made between this independent assurance and project assurance which is a collective responsibility of the project board. However, these can often cover similar areas and there is considerable benefit and value to the organisation in ensuring that the assurance regime is efficient, well focused and helps to deliver the desired outcomes. There may be many interrelated projects spanning several years so effective cooperation between different assurance providers is mutually beneficial.

3.2 Integrated assurance **does not necessarily mean joint reviews**, nor does it **impact on Internal Audit independence**.

3.3 Internal audit should share information with other internal and external providers of assurance, as agreed in the Integrated Assurance and Approvals Plan (IAAP) and expect reciprocal arrangements. To ensure proper coverage and minimise duplication of efforts, Internal Audit should seek to place reliance on the work of others. Where appropriate, Internal Audit should plan and undertake any necessary activities associated with placing reliance upon the work of others, such as review of the approach taken, evidence available and conclusions reached.

3.4 This guidance is not meant to imply that Internal Audit is not already addressing major projects risk adequately, but following the mandate for Integrated Assurance and Approvals. Consideration by the Head of Internal Audit should be given to the following when planning and executing audit activities associated with major projects.

Assurance planning

3.5 Internal Audit will need to:

- Assess the potential risk profile of major projects, key risk areas and the assurances available from other assurance providers when planning audit work;
- Engage with major projects and provide early warning of proposed audit activity, so it can be included and coordinated as part of the development of the risk-based IAAP;
- Continue to coordinate activity with other assurance providers included in the IAAP throughout the life of the project;
- Support the SRO, as appropriate, in communications with MPA, for example on timing, and scope, of Assurance Reviews (Starting Gate, Gateway, or Project Assessment Reviews); and
- Schedule reviews to deliver timely products to inform key approvals and milestones.

Undertaking reviews

- Use evidence from previous assurance review findings, where applicable;
- Consider opportunities for joint working with MPA and other assurance providers during the planning of reviews (whilst maintaining Internal Audit Independence);
- Consider the approach to assurance activities with a view to minimising the burden on projects; and
- Place reliance upon the results of other reviews to avoid repetition or duplication of work (where internal audit is satisfied with the approach, evidence and conclusions reached).

Reporting and governance

- Where significant issues are identified, share findings with other assurance providers, and together propose appropriate actions to help resolve the issues;
- Be prepared for SROs to share significant findings and issues with MPA, discussing and agreeing findings and issues with MPA and discussing and agreeing actions to help resolve the issues;
- Be aware of potential SRO escalation routes available through the MPA to facilitate prompt action;
- Support the SRO in engaging with the Audit Committee to ensure that they receive appropriate information and assurances and are fully aware of MPA arrangements, as well as engaging where appropriate on major project/programme work in the internal audit plan ;
- Support the AO/SRO/Audit Committee in determining what should be reflected in the annual Governance Statement.

A

Letter from Prime Minister confirming MPA mandate



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

25 January 2011

Dear Colleague

The Coalition Agreement makes clear our collective commitment to achieve better value for money for public spending. Francis Maude and Danny Alexander are jointly leading a programme of work to take this forward through the Efficiency and Reform Group within the Cabinet Office. Good progress has already been made. The Major Projects Review (MPR) report of August 2010, led by the Efficiency and Reform Group (ERG) with invaluable support from senior officials in departments, identified potential savings in the Spending Review period of at least £3.3 billion, with a realistic target of over double that amount (£6.9 billion).

However, there is much more to do. Successive Governments over the past two decades have failed to establish an effective Major Projects process. We intend to do much better and I am now writing to request your co-operation and support.

There is currently no cross-governmental understanding of the size and cost of the Government's Major Projects portfolio, nor of the cost and viability of the individual projects within it. This failure will hinder our ability to prioritise and manage these hugely costly projects. The MPR report found common and unacceptable failings in projects which we simply cannot repeat. These include:

- Unrealistically tight timescale
- Lack of Business Case to establish absolute goals
- Scope not finalised before Project start
- Incomplete specification before procurement commences
- Absence of, or limited, options analysis

- No agreed budget or contingency planning
- No implementation or strategic risk management plan
- Weak commercial and contract management capability.

There needs to be a more systematic approach by departments to prioritisation, to assessing viability before a project is initiated and to planning for continuous assurance on costs and benefits once a project is launched.

I have decided, on advice from Francis Maude and Danny Alexander, that a central authority is needed to work in collaboration with central Government Departments to help us get firmer control of our Major Projects both at the individual and the portfolio level. The Authority will be a partnership between the Cabinet Office and Treasury and will be known as the 'Major Projects Authority' (MPA). The MPA will have the authority to:

- Compile a Government portfolio of Major Projects;
- Require, review and approve integrated assurance plans for each Major Project or Programme;
- Carry out Assurance Reviews where there is cause for concern;
- Intervene directly, where appropriate, in the delivery of failing Major Projects including the provision of commercial and operational support;
- Work with departments to build capability in projects and programme management;
- Publish an Annual Report on Major Projects.

I am asking all colleagues to support the MPA and, in particular, to ensure their departments take the following action with immediate effect:

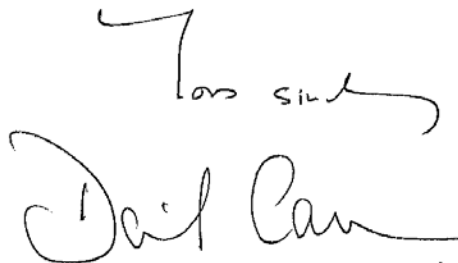
- Engage a Starting Gate review, or its equivalent, to assess the deliverability of all major new initiatives before project delivery gets underway. Alongside this, the Treasury will need to assess affordability well before any call for tenders or contract awards are made;
- Develop, and comply with, an integrated assurance plan for each Major Project or Programme;

- Provide verified, timely data for the Government Major Project and Programmes Report;
- Co-operate with Assurance Reviews of Major Projects where there is cause for concern;
- Support capability-building work on project and programme management. This should include nominating suitably senior and experienced officials to act as reviewers of (others') 'high risk' projects and programmes at least once every 12-18 months;
- Collaborate with MPA to publish an Annual Report on Major Projects and meet other requirements as part of our Transparency Agenda.

I have asked the MPA to provide regular progress reports to my office, the Chief Secretary and Minister for the Cabinet Office and, where appropriate, Departmental Ministers and the Accounting Officers, including any instances of non-compliance.

We have made a good start in tackling efficiency and performance improvement. Departments working together with the new MPA should make a significant difference to achieving our Government aims and objectives through the delivery of Major Projects.

I am copying this to Cabinet colleagues, Sir Gus O'Donnell, Sir Nicholas Macpherson, Andrew Hudson and Ian Watmore.



Tom Sully
David Cameron

Members of the Cabinet

HM Treasury contacts

This document can be found in full on our website: <http://www.hm-treasury.gov.uk>

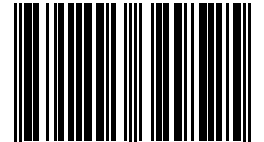
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